



Challenges of Financing to implement the Climate Treaty of Paris

Role of the financial sector

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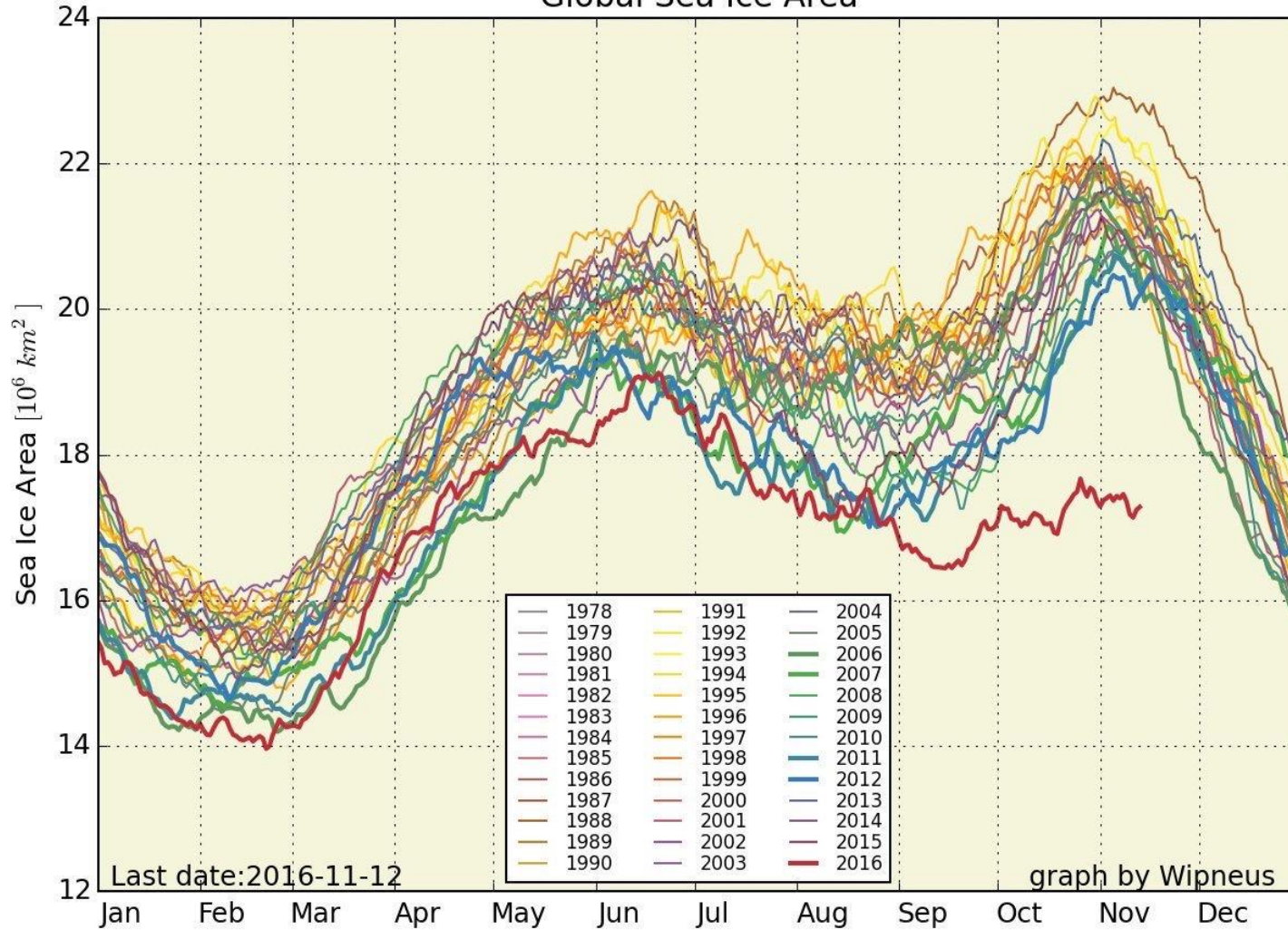
Structure

1. Climate Change a new reality: international agreements after Paris
2. Public climate financing
3. Private sector climate financing
4. Green Finance
5. Examples to mobilize additional financing: Lab, IKI
6. Summary



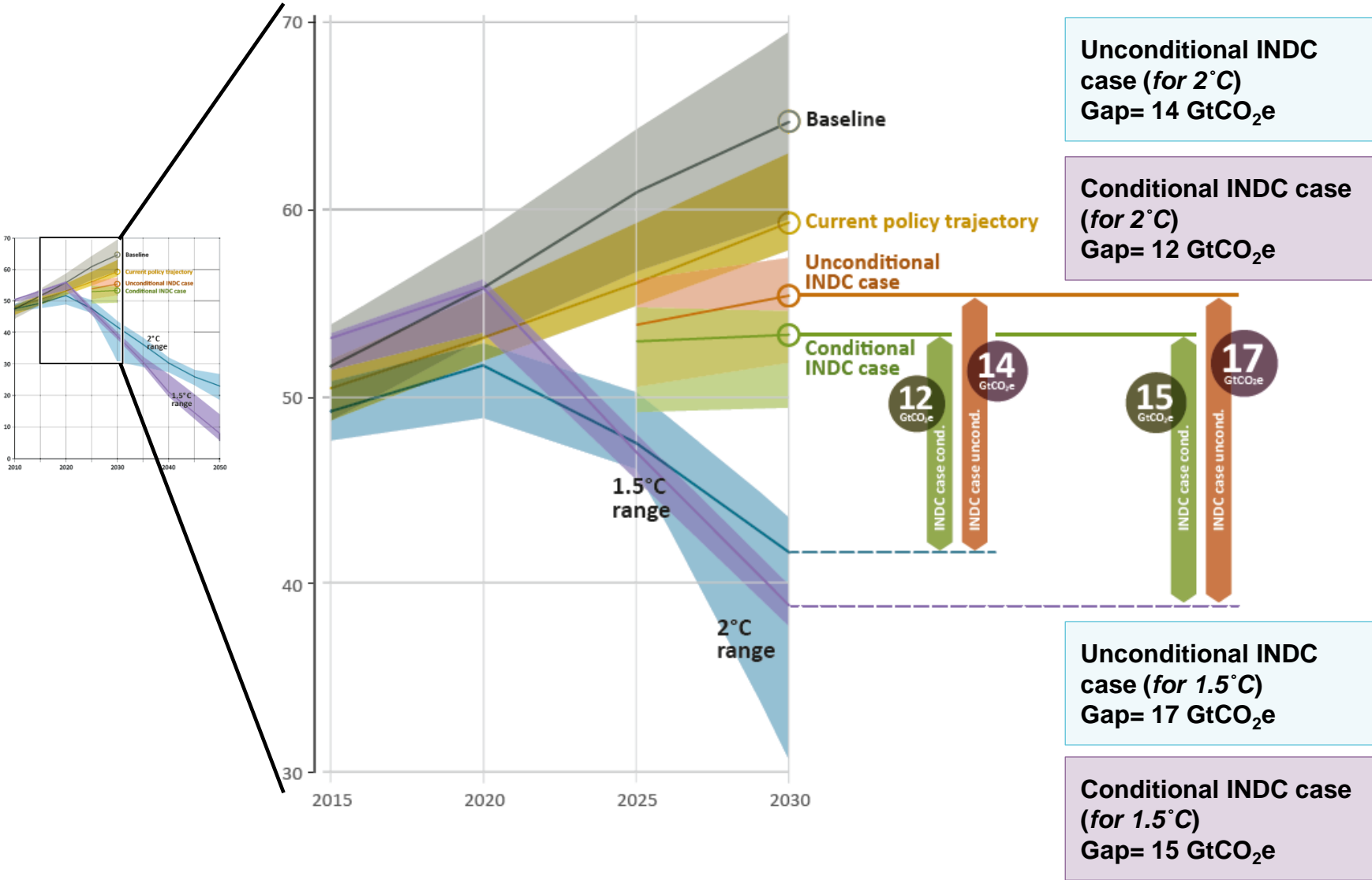
Climate Change: Ice cover of the Arctic 2016

from NSIDC sea ice concentration data
Global Sea Ice Area





Annual global total greenhouse gas emissions (GtCO₂e)



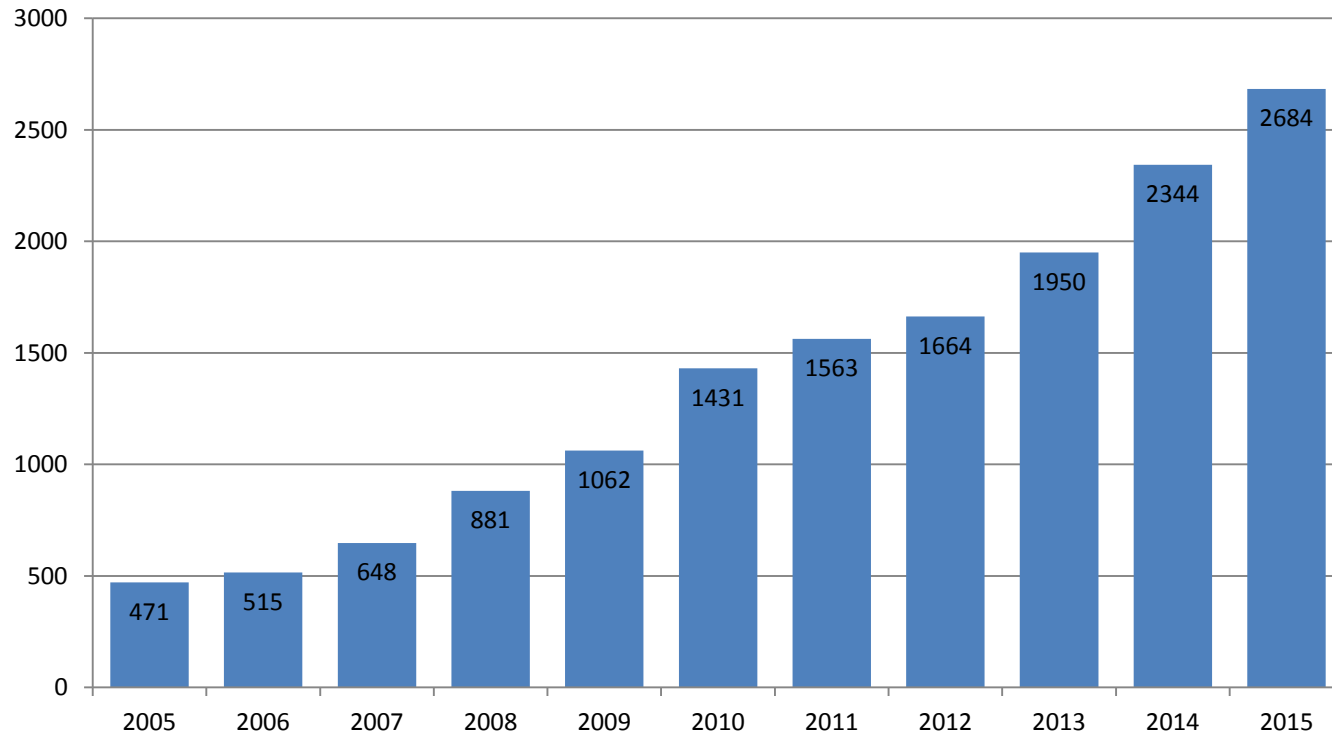


Climate financing

- Objective:
 - Support of mitigation and adaptation
 - Implementation of the Paris Agreement: NDC-implementation, transparency
- public
 - Budget (grants, loans, guarantees, equity)
 - implementation organizations (giz, etc.)
 - national and multilateral development banks (KfW)
 - Climate funds (GCF)
- private
 - co-financing with public risk management, hedging
 - green finance products, e.g. green bonds / climate bonds
 - new realignment of investments (as a result of divestment)



International Climate financing (2005 – 2015)



Source: BMUB / BMZ



Mainstreaming Climate Action within Financial Institutions - Five Voluntary Principles

presented during COP 21 (Paris) (initiated by IDFC/KfW, supported by 26 other institutions)

- Implementation of climate strategies;
- Management of climate risks;
- Support of intelligent climate protection targets;
- Improvement of climate performance and
- Monitoring of climate mitigation measures.



New Climate Economy (Global Commission on Economy and Climate)

90 Bill \$ Infrastructure-investments (energy, transport, buildings and cities, agriculture, ...) until 2030 needed,

4 Strategies

- “real” prices, reduction of subsidies
- Institutions and governance, project development
- Green Finance
- R&D for technological innovation



Risks of climate change for the financial sector

barriers

- unclear policies, lack of good projects, exchange rate risks
- physical risks (insurance, physical properties);
- accountability risks (loss&damage)
- transition-risks (policy frameworks)

additional

- technologies (stranded assets)
- reputation risks (Deutsche Bank Investitionen in AUS-Kohlehäfen)

opportunity

- investments in climate friendly technologies/ infrastructure



G20 Green Finance Study Group

CHN-G20-presidency 2015/16:

- “green” banking- system (use of sustainable banking principles)
- “green” bond market (standards, rating, local markets)
- “green” institutional investors (Environmental criteria, allocation of green investments)
- risk analysis
- reporting and monitoring of progress

challenges and opportunities:

- externalities, unclear definitions, asymmetries of information, lack of analytical capacities

German G20-Präs.: Environmental data (FSB-TF), risk-analysis



Climate change measures-Mosaik (Blackrock 2016)

politics <ul style="list-style-type: none">• Emission targets• Monitoring/increase• CO2 -price, regulation, investments in sustainable infrastructure	investors <ul style="list-style-type: none">• Divestment• Harmonized climate risk monitoring• Disclosure of Portfolio-footprint
companies <ul style="list-style-type: none">• Environmental and climate friendly technologies• disclosure of risks• Renewable energies, efficiency, green procurement	consumer <ul style="list-style-type: none">• Increased demand for environmental and climate friendly products• Boycott and campaigns



Global Innovation Lab for Climate Finance

- competition of ideas on innovative instruments for private financing of climate protection measures: 8 instruments have mobilized \$600 Mio;
- Members: Climate finance –experts of governments, pensionfunds, investmentbanks, project developpers;
- generator of ideas:PP-projecs in renewable energies, efficiency, agriculture, water, waste, exchange rate risks;



Climate Finance Approach

Innovative Financial Instruments

- Mobilising funds for investments in mitigation, adaptation and preservation of biodiversity (esp. PPP)
- Inter alia concessional loans, funds / facilities, risk instruments etc.

Financial Market Development

- Improvement of framework conditions for the development and implementation of financing instruments
- Sustainable market development
- TA for FIs as well as project developers

Climate Finance Readiness and MRV of Finance

- Assessment, analysis and transparent publication
- Incl. fiduciary duties and finance infrastructure



**GLOBAL CLIMATE
PARTNERSHIP FUND**



Target group: local financial institutions

Implementing Organization: KfW

BMUB Funding Volume: € 42.5 m

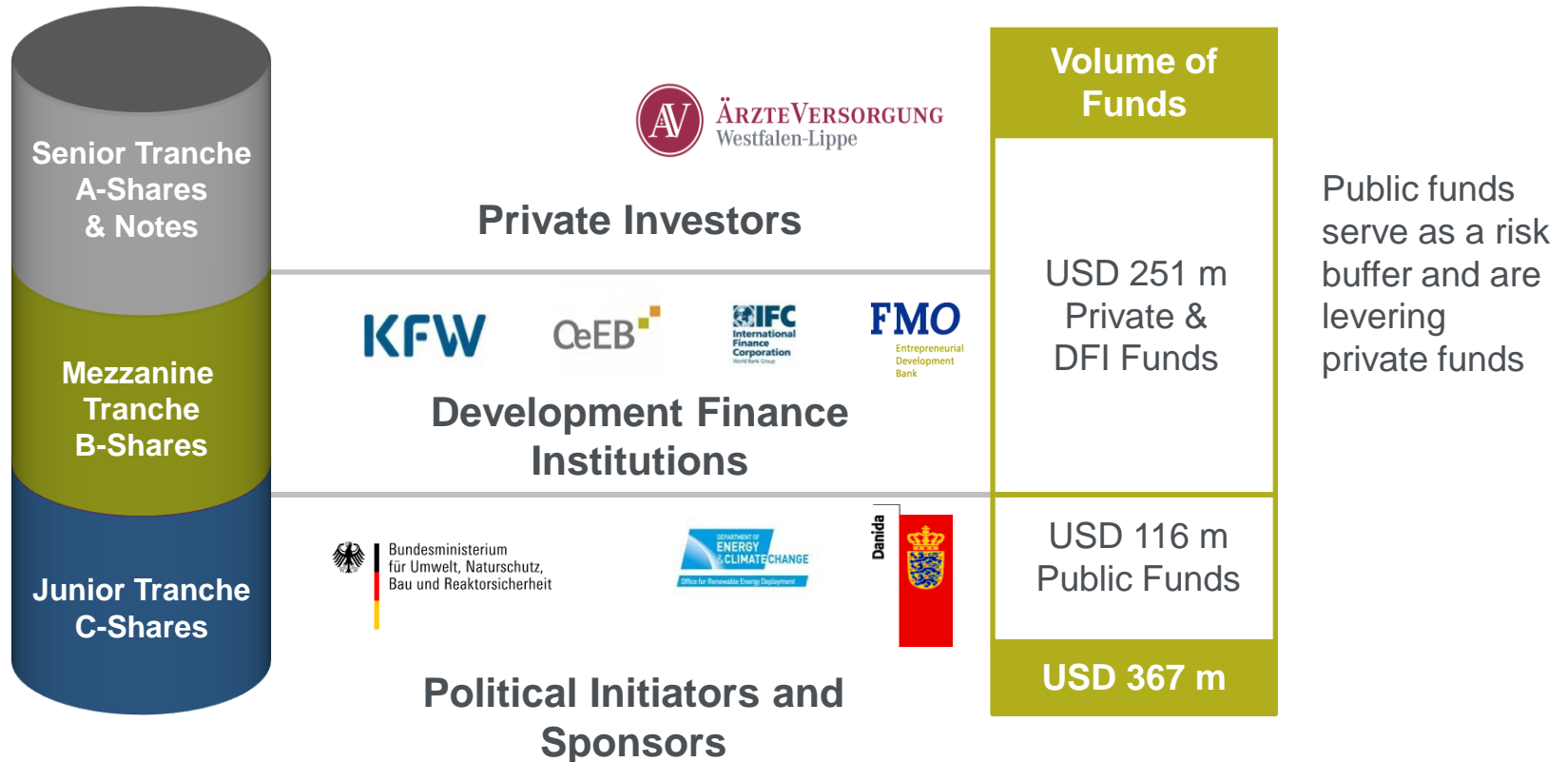
Project Start: 2009

Partner Country: Bangladesh, Brazil, Ecuador,
Honduras, India, Mongolia, Nicaragua, Sri Lanka,
South Africa, Turkey, Ukraine, Viet Nam

- Structured fund (waterfall payment and risk buffer) with private-public partnership approach to mobilize additional funds (incl. TA Facility)
- Refinancing of on-lending of financial institutions for small scale renewable energy and energy efficiency investments
- Pledges of USD 371 m from 7 shareholders and 1 private investor (BMUB share: 55.5 million USD)



Global Climate Partnership Fund's Capital and Owner Structure





Summary

- Challenges of Environmental and Climate change need billions not millions
- Financing mechanism need government and private instruments
- Political frameworks and signals
- Mainstreaming need to be improved
- Green Finance – great international dynamic
- Gap between project investments and long term sustainable investors
- Option platform mobilizing public and private banks, institutional investors and regulators
- Rollback? German G20-presidency – new dynamic?